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Report Highlights:

MY 2006/07 foodgrain production is forecast at 29.3 million tons (28.2 million tons of rice, and 1.1 million tons of wheat), up three percent from the 2005/06 estimate. Imports are forecast to climb to 2.8 million tons (800,000 tons rice, and 2 million tons wheat) from the estimated 2.6 million tons in 2005/06. Although India remains the single largest supplier of rice and wheat to Bangladesh, buyers there have recently diversified their import sources, especially for wheat.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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SECTION I – SITUATION AND OUTLOOK

RICE

Production

Assuming a normal monsoon this summer, MY 2006/07 (July-June) rice production is forecast at 28.2 million tons from 11.2 million hectares. Prevailing high domestic prices should support increased planting.

MY 2005/06 rice production is currently estimated at 27.4 million tons, up 7 percent from the flood-damaged 2004/05 production. High domestic rice prices led to increased planting and prompted farmers to shift from traditional low-yielding varieties to high yielding varieties (HYVs) and hybrids. The first crop, *Aus* (planted in March/April and harvested in June/July), is estimated at 1.7 million tons in 2005/06. The second crop, *Aman* (planted in July/August and harvested in November/December), is estimated at 12.2 million tons, compared to 10 million tons in 2004/05, due to favorable growing conditions. The third crop, *Boro* (planted in December/January and harvested in April/May), now at its vegetative stage, is benefiting from favorable weather conditions. However, a scarcity of fertilizers and the ongoing shortages of diesel and electricity required to operate tube wells are likely to adversely affect production, which is currently estimated at 13.5 million tons, as compared to 14.1 million tons in 2004/05.

Area and production estimates of rice, by season, are shown in Table 1.

Table 1: Area and production of rice by season

| Crop | 2004/05 (Estimate) | | 2005/06 (Estimate) | | 2006/07 (Forecast) | |
|--------------|-----------------------|--------------------------|-----------------------|--------------------------|-----------------------|--------------------------|
| | Area (000 ha) | Production (000 tons) | Area (000 ha) | Production (000 tons) | Area (000 ha) | Production (000 tons) |
| Aus | 1,100 | 1,500 | 1,090 | 1,700 | 1,000 | 1,600 |
| <i>Aman</i> | 5,610 | 10,000 | 5,760 | 12,200 | 5,800 | 12,600 |
| <i>Boro</i> | 4,290 | 14,100 | 4,250 | 13,500 | 4,400 | 14,000 |
| Total | 11,000 | 25,600 | 11,100 | 27,400 | 11,200 | 28,200 |

Consumption

MY 2006/07 rice consumption is forecast to increase to 28.8 million tons, due to the expected increase in domestic production and the increasing population. Consumption in MY 2005/06 is estimated at 27.9 million tons, up 3.7 percent from the MY 2004/05 level, due to wheat's inadequate availability and high prices.

Rice prices remained firm in CY 2005, despite a good harvest and above-normal imports. The average price of coarse rice in December 2005 was Taka 17 (\$0.26) per kilogram, which was about 7 percent higher than the average December 2004 price. According to trade sources, higher import costs due to the continued devaluation of the local currency "Taka" against the US dollar was a major factor behind the higher prices. The recent open market sales of rice by the government under the Public Food Distribution System (PFDS) only had a limited impact on stabilizing prices. Prices are likely to remain firm until the harvest of *Boro* rice crop in April/May.

Trade

MY 2006/07 rice imports are forecast at 800,000 tons, which should be mostly commercial imports from India.

Rice imports in MY 2005/06 are estimated at 750,000 tons, compared with 1.1 million tons in MY 2004/05, when the domestic crop was badly hit by floods. July through December 2005 imports are estimated at 240,000 tons, compared with 460,000 tons imported during the corresponding period of 2004. On a calendar year basis, rice imports in 2005 are estimated at 1.1 million tons, compared with 812,000 tons in 2004. In MY 2004/05, the Government imported about 72,000 tons of rice through international tenders. Although the government had planned to import 50,000 tons of rice this year, imports appear unlikely in the near term. Bangladesh's rice imports have slowed, following the discontinuation of subsidized rice exports from India, the increasing cost of imported rice, and good domestic harvests.

Stocks

The Government's MY 2006/07 beginning stocks are estimated at 795,000 tons. Farmers' and private trade-held stocks are believed to be around 5.6 million tons, which typically are not included in the PS&D table. The government's rice procurement target for MY 2005/06 is 1.0 million tons, compared with the MY 2004/05 actual procurement of 897,000 tons. December 31, 2005 stocks with the government are placed at 600,000 tons, compared to 450,000 tons a year ago. It plans to distribute 880,000 tons of rice through the PFDS in MY 2005/06, compared with the actual distribution of 1.1 million tons in MY 2004/05.

Policy

The present rice tariff structure consists of a 6 percent customs duty, a 3 percent advance income tax, and a 3.5 percent development surcharge. Rice imports are exempted from Letter of Credit (LC) margin requirements. There are no quantitative restrictions on rice imports.

Marketing

Bangladesh is a price buyer, typically importing lower quality (25% or more broken), parboiled rice. Most imports are from India due to its geographical proximity, low cost of transportation, and lower prices vis-à-vis other origins. There is a small niche market for high quality rice (basmati or its equivalent) imported from India/Pakistan, as well as for the local aromatic varieties. Rice imports from the United States do not appear to be commercially feasible due to relatively high price of US rice, high freight cost, and long shipping period.

WHEAT

Production

MY 2006/07 wheat production is forecast at 1.1 million tons from 600,000 hectares, assuming normal weather conditions. Current high domestic wheat prices (up 12 percent over the same period last year) should encourage increased planting. Wheat production in MY2005/06 is estimated at 1 million tons from 570,000 hectares. With expanding irrigation coverage, wheat cultivation is facing increased competition from other more remunerative irrigated crops like HYV Boro rice crop, potato, maize and winter vegetables. However, wheat is still a preferred option under non-irrigated, less-input conditions.

Consumption

Higher prices vis-à-vis rice and reduced availability lowered wheat consumption to 2.9 million tons in 2005/06, from 3.2 million tons in 2004/05. Assuming the present wheat/rice price ratio continues, MY 2006/07 wheat consumption is forecast at 3 million tons.

As the second staple cereal, wheat typically accounts for around 10 percent of the total foodgrain consumption in Bangladesh. Wheat consumption in rural areas (which accounts for 70 percent of the country's population) is largely dependent on its availability under the government PFDS. However, consumption in urban areas is growing consistently, due to changing food habits and the growing HRI sector.

The average retail prices of white fine flour and "atta" (coarse flour) in December 2005 were Taka 24 (\$0.36) and Taka 18 (\$0.27) per kg, respectively, up 12 percent from last year's level at this time.

Trade

Wheat imports in MY 2006/07 are forecast at 2 million tons (including 160,000 tons food aid and 100,000 tons public sector imports). Imports in 2005/06 are estimated at 1.8 million tons, down 10 percent from 2004/05 imports, due mainly to reduced availability from India. About 800,000 tons of wheat has reportedly arrived from July through December 2005, compared to 1.0 million tons during the corresponding period of 2004.

Stocks

Due to lower domestic production and imports, wheat stocks with the government at the beginning of MY 2006/07 are projected at 93,000 tons. Domestic wheat procurement by the government in 2004/05 was only 2,000 tons (against a target of 50,000 tons), due to the lower support price vis-à-vis the open market price. The government's wheat procurement target for MY 2005/06 is 75,000 tons, which is unlikely to be achieved unless the procurement price is raised. Wheat stocks with traders and farmers, which are not included in the PS&D table, are estimated at around 66,000 tons in the beginning of 2006/07.

Policy

There are no quantitative restrictions on wheat imports. Wheat imports are exempted from the mandatory Letter of Credit margin. Wheat imports attract a 6 percent customs duty, a 3 percent advance income tax, and a 2.5 percent infrastructure development surcharge.

Marketing

Bangladesh is predominantly a market for low quality, low priced wheat. India is the preferred origin, due to lower price and freight advantage. Australia and Canada are traditional sources for higher-quality wheat. Following the slowing of cheap wheat supplies from India in recent years, Bangladeshi importers have started looking to other sources like Russia, Ukraine, and Romania for cheaper wheat. Interest in US wheat is also increasing. However, unfavorable contract terms for US suppliers and Bangladesh's inability to import economically viable quantities from the United States are constraints. Bangladeshi buyers are usually willing to pay a premium of around \$10-12 per ton for US wheat. The US Wheat Associates' efforts to address the issues of acceptable contract terms and pricing should be continued.

SECTION II – STATISTICAL TABLES

Table 1: Commodity, Rice Milled, PSD

| PSD Table | | | | | | | |
|---------------------------|--------------|--------|--------|--------|-----|--------|-----------------|
| Country: | Bangladesh | | | | | | |
| Commodity: | Rice, Milled | | | | | | |
| | | 2004 | | 2005 | | 2006 | UOM |
| | Old | New | Old | New | Old | New | |
| Market Year Begin | | Jul-04 | | Jul-05 | | Jul-06 | (MONTH/YEAR) |
| Area Harvested | 11,000 | 11,000 | 11,100 | 11,100 | 0 | 11,200 | (1000 Hectares) |
| Beginning Stocks | 744 | 725 | 469 | 545 | 0 | 795 | (1000 MT) |
| Milled Production | 25,900 | 25,600 | 26,700 | 27,400 | 0 | 28,200 | (1000 MT) |
| Rough Production | 38,854 | 38,404 | 40,054 | 41,104 | 0 | 42,304 | (1000 MT) |
| Milling Rate(.9999) | 6,666 | 6,666 | 6,666 | 6,666 | 0 | 6,666 | (1000 MT) |
| TOTAL Imports | 725 | 1,120 | 650 | 750 | 0 | 800 | (1000 MT) |
| Jan-Dec Imports | 800 | 812 | 650 | 1,048 | 0 | 700 | (1000 MT) |
| Jan-Dec Import U.S. | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| TOTAL SUPPLY | 27,369 | 27,445 | 27,819 | 28,695 | 0 | 29,795 | (1000 MT) |
| TOTAL Exports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Jan-Dec Exports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| TOTAL Dom. Consumption | 26,900 | 26,900 | 27,250 | 27,900 | 0 | 28,800 | (1000 MT) |
| Ending Stocks | 469 | 545 | 569 | 795 | 0 | 995 | (1000 MT) |
| TOTAL DISTRIBUTION | 27,369 | 27,445 | 27,819 | 28,695 | 0 | 29,795 | (1000 MT) |

Table 2: Commodity, Rice Milled, Import Trade Matrix

| Import Trade Matrix | | | |
|---------------------|--------------|----------|-------------|
| Country: | Bangladesh | Units: | Metric Tons |
| Commodity: | Rice, Milled | | |
| Time period: | | | |
| Imports for | 2004 | | 2005 |
| U.S. | | U.S. | |
| Others | | Others | |
| India | 698000 | India | 914000 |
| Pakistan | 18000 | Pakistan | 27000 |
| Thailand | 30000 | Thailand | 26000 |
| Vietnam | 12000 | Vietnam | 16000 |
| Myanmar | 24000 | Myanmar | 30000 |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Total for Others | 782000 | | 1013000 |
| Others not listed | 30000 | | 35000 |
| Grand Total | 812000 | | 1048000 |

Table 3: Commodity, Rice Milled, Prices Table

| | | | |
|----------------------|---------------------|------------------------|------------|
| Prices Table | | | |
| Country: | Bangladesh | | |
| Commodity: | Rice, Milled | | |
| Year: | 2005 | | |
| | | | |
| Prices in (currency) | Taka | per (uom) | metric ton |
| | | | |
| Year | 2004 | 2005 | % Change |
| Jan | 13800 | 16450 | 19.2% |
| Feb | 14100 | 16560 | 17.4% |
| Mar | 14000 | 16250 | 16.1% |
| Apr | 13700 | 15320 | 11.8% |
| May | 13200 | 14800 | 12.1% |
| Jun | 13500 | 15220 | 12.7% |
| Jul | 13440 | 16040 | 19.3% |
| Aug | 13740 | 15980 | 16.3% |
| Sep | 14690 | 15890 | 8.2% |
| Oct | 15260 | 15810 | 3.6% |
| Nov | 15150 | 16500 | 8.9% |
| Dec | 15890 | 17000 | 7.0% |
| | | | |
| Exchange Rate | 66 | (Local currency/US \$) | |
| Date of Quote | 07-Feb-06 | (MM/DD/YY) | |

Table 4: Commodity, Wheat, PSD Table

| PSD Table | | | | | | | |
|---------------------------|------------|-------------|------|-------------|-----|-------------|-----------------|
| Country: | Bangladesh | | | | | | |
| Commodity: | Wheat | | | | | | |
| | | 2004 | | 2005 | | 2006 | UOM |
| | Old | New | Old | New | Old | New | |
| Market Year Begin | | Jul-04 | | Jul-05 | | Jul-06 | (MONTH/YEAR) |
| Area Harvested | 600 | 556 | 600 | 570 | 0 | 600 | (1000 Hectares) |
| Beginning Stocks | 358 | 358 | 143 | 143 | 0 | 93 | (1000 MT) |
| Production | 976 | 976 | 1200 | 1000 | 0 | 1100 | (1000 MT) |
| TOTAL Mkt. Yr. Imports | 2009 | 2009 | 2100 | 1800 | 0 | 2000 | (1000 MT) |
| Jul-Jun Imports | 2009 | 2009 | 2100 | 1800 | 0 | 2000 | (1000 MT) |
| Jul-Jun Import U.S. | 78 | 70 | 0 | 70 | 0 | 100 | (1000 MT) |
| TOTAL SUPPLY | 3343 | 3343 | 3443 | 2943 | 0 | 3193 | (1000 MT) |
| TOTAL Mkt. Yr. Exports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Jul-Jun Exports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Feed Dom. Consumption | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| TOTAL Dom. Consumption | 3200 | 3200 | 3250 | 2850 | 0 | 3000 | (1000 MT) |
| Ending Stocks | 143 | 143 | 193 | 93 | 0 | 193 | (1000 MT) |
| TOTAL DISTRIBUTION | 3343 | 3343 | 3443 | 2943 | 0 | 3193 | (1000 MT) |

Table 5: Commodity, Wheat, Import Trade Matrix

| Import Trade Matrix | | | |
|---------------------|------------|---------------|-------------|
| Country: | Bangladesh | Units: | Metric tons |
| Commodity: | Wheat | | |
| Time period: | Jul/Jun | | |
| Imports for | 2004 | | 2005 |
| | | | |
| Concessional | | Concessional | |
| USA | 70,000 | USA | 70,000 |
| WFP | 120,000 | WFP | 32,000 |
| Australia | 46,000 | Australia | 58,000 |
| Canada | 53,000 | | |
| EU | 0 | | |
| | | | |
| Commercial 1/ | | Commercial 1/ | |
| India | 1,120,000 | India | 780,000 |
| Canada | 100,000 | Canada | 100,000 |
| Australia | 300,000 | Australia | 300,000 |
| Argentina | 48,000 | Argentina | 55,000 |
| Pakistan | 42,000 | Pakistan | 45,000 |
| | | Russia | 46,000 |
| | | Rumania | 60,000 |
| | | Ukraine | 124,000 |
| | | Singapore | 30,000 |
| | | | |
| Total for Others | 1,899,000 | | 1,700,000 |
| Others not listed | 110,000 | | 100,000 |
| Grand Total | 2,009,000 | | 1,800,000 |

Table 6: Commodity, Wheat, Prices Table

| | | | |
|----------------------|-------------------|------------------------|------------|
| Prices Table | | | |
| Country: | Bangladesh | | |
| Commodity: | Wheat | | |
| Year: | 2005 | | |
| | | | |
| Prices in (currency) | Taka | per (uom) | metric ton |
| | | | |
| Year | 2004 | 2005 | % Change |
| Jan | 10270 | 13070 | 27.3% |
| Feb | 11310 | 13280 | 17.4% |
| Mar | 11120 | 12970 | 16.6% |
| Apr | 11470 | 12650 | 10.3% |
| May | 11470 | 12680 | 10.5% |
| Jun | 11370 | 12960 | 14.0% |
| Jul | 11870 | 13560 | 14.2% |
| Aug | 11980 | 13530 | 12.9% |
| Sep | 12410 | 13620 | 9.8% |
| Oct | 12570 | 14170 | 12.7% |
| Nov | 12510 | 14250 | 13.9% |
| Dec | 12820 | 14300 | 11.5% |
| | | | |
| Exchange Rate | 66 | (Local currency/US \$) | |
| Date of Quote | 08-Feb-06 | (MM/DD/YY) | |